



Charity Services

Fact Sheet - January 2012

Introduction

There are a myriad of banks and financial services businesses offering to manage the investment portfolios of charities, which inevitably presents trustees and their advisers with a bewildering task in a specialist area where they sometimes do not have the requisite expertise.

Over the past decade or more Heartwood has acquired a reputation amongst its charity clients for excellent service and prudent stewardship of their assets. In order to achieve this, Heartwood has made a virtue of its size and deployed its senior staff to forge close collaborative relationships with trustees. Aside from navigating the vagaries of the markets this has entailed helping charities to comply with the Trustee Act 2000, construe the Charity Commission's guidance on investment and more recently, make the transition to multi-asset class investing, where appropriate. The last year has witnessed a widespread quest for income and this has been reflected in some of our investment solutions.

Heartwood's focus has been on those charitable organisations which require discretionary investment management but whose size does not warrant them employing investment experts as staff to monitor portfolios daily or justify the use of third party consultants in an ongoing role. This is a large universe and one with which we feel a close affinity.

Introduction to Heartwood

Whilst Heartwood itself was founded over 20 years ago, in early 2006 the management and staff bought out the interests of the original joint venture partners (a leading regional firm of solicitors); over 90% of the company's shares are owned by two-thirds of current staff. This alignment of long term interests between Heartwood's employees and its clients is regarded as the best long term guarantee of success for all parties. The original focus was to offer wealth management services to private clients but this was soon extended in response to demand to include investment management services for charities.

Heartwood's Charity Credentials

- Heartwood has been managing assets on behalf of public and private charities for over 20 years and the clients cover a wide range of sectors.
- The charity business has grown by over 100% (funds under management) since January 2009.
- An experienced team led by Noland Carter (Chief Investment Officer), who had ultimate responsibility for all charity clients at Barclays Wealth where he was CIO and Hugh Tottenham, who played a leading role in building GAM's charity business.
- Several members of the senior management team fulfil personal pro bono roles as trustees of charitable organisations or in an advisory capacity. This valuable experience includes work on behalf of a national professional benevolent association, a public school foundation, a top 50 charity, a housing association, an educational charity and a local community organisation. In most cases their involvement is focused on the handling of the respective endowment funds.
- Testimonials are available from existing charity clients, including from those who have used our services for over 10 years.
- Exceptional client loyalty; an independent client satisfaction survey in 2010 elicited that "over 90% of clients would recommend Heartwood to others".

Investment performance and risk analysis

%	2006	2007	2008	2009	2010	2011	3yrs annualised	5yrs annualised	Volatility*	Max Drawdown**
Cautious Strategy	7.8	7.3	-7.0	15.4	7.9	0.8	8.0	4.3	5.9%	-15.1%
Balanced Strategy	10.6	6.5	-14.6	19.5	11.0	-3.7	8.5	3.0	9.5%	-22.7%
UK Equities ¹	16.8	5.3	-29.9	30.1	14.5	-3.5	12.9	1.2	17.1%	-45.6%
Global Equities ²	5.8	7.7	-17.4	16.4	15.9	-4.3	8.9	2.8	17.1%	-37.8%
UK Gov't Bonds ³	0.7	5.3	12.8	-1.2	7.2	16.9	7.5	8.1	6.5%	-6.1%
Cash (1mth LIBOR)	4.9	6.0	5.5	0.9	0.6	0.6	0.7	2.6	0.7%	0.0%

¹FTSE Allshare, ²MSCI World, ³Merrill Lynch

Source: FactSet & Heartwood

The figures shown are for illustrative purposes only on two of Heartwood's core strategies which are part of a broader range. Inception of Cautious Strategy: 31/8/04; Balanced Strategy: 30/9/01. Heartwood returns are shown in sterling, after the deduction of an annual management fee of 1% and before all dealing and other operating costs. Annualised returns are over 3 and 5 years to 31/12/11. Past performance is not a reliable indicator of future performance.

* Volatility: A statistical measure of the dispersion of returns for a given security or fund. It is the annualised standard deviation of the monthly total return over 5 years to 31/12/11. If the return moves up and down rapidly over a short period of time, the portfolio has a high volatility.

** Maximum Drawdown: A measure of the downside risk of a portfolio. It is the percentage drop from any peak in a portfolio value to any bottom over 5 years to 31/12/11. It can be applied directly to the size of the portfolio giving an "estimate" of how much money you could lose at some intermediate point in time during the life of the investment strategy.

Investment Approach

Heartwood is a global multi-asset investor, seeking opportunities in a diversified range of assets, in order to deliver strong returns for a given level of risk. We have a sophisticated yet reliable investment process, which aims to add value at every stage. Decisions are taken by the investment team as a whole and then implemented in a consistent manner, so that clients in each strategy benefit from our investment ideas.

To inform our asset allocation, we have developed in-house econometric models which allow us to perform detailed analysis on all main asset classes, drawing on a broad range of data to improve the quality of our decisions. Our strong risk management controls give us the confidence to take large positions where we have the highest conviction in our views.

As an independently-owned organisation, we are free to source the most appropriate, cost-effective products from across the market-place.

Summary

Whether a charity has assets to invest of £1m or £20m, their safety and growth is equally important to the trustees who want and deserve a reliable, personal service and performance in line with expectations. Whilst we cannot guarantee investment performance we have delivered strong risk-adjusted returns over the long term and demonstrated over many years that our client service is of a very high standard. Please let us know if you would like to hear more.

Risk Warnings

Heartwood is a trading name of Heartwood Wealth Management Limited, which is authorised and regulated by the Financial Services Authority in the conduct of investment business. This document has been prepared by Heartwood for clients and/or potential clients who may have an interest in its services. It is not intended to be a definitive analysis of equity or other markets. Nothing herein constitutes advice to undertake a transaction in a particular share or other security and professional advice should be taken before any course of action is pursued. Cautious portfolios may include individual investments in structured products, foreign currencies, and funds (including funds not regulated by the Financial Services Authority) which may individually have a relatively high risk profile. The portfolios may specifically include hedge funds, property funds, private equity funds and other funds which may have limited liquidity. The value of any investment and the income from it is not guaranteed and can fall as well as rise, so that you may not realise the amount originally invested. Where an investment is denominated in a currency other than sterling, changes in exchange rates between currencies may cause investments/income to go up or down. While we aim to follow a disciplined model portfolio approach, any individual portfolio is unlikely to be identical to that of the relevant model portfolio as a result of (inter alia) the time of commencement of the portfolio, the precise mandate or risk profile you may have given us (including any investment preferences and/or restrictions), tax constraints, the tax status of any investment vehicles used, and the availability of certain funds or other investments.

Contacts

Hugh Tottenham Client Director

Direct Line 020 7045 1331

hugh.tottenham@heartwoodgroup.co.uk